COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS

Reference: Uptake of digital television in Australia

WEDNESDAY, 25 MAY 2005

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS

Wednesday, 25 May 2005

Members: Miss Jackie Kelly *(Chair)*, Ms Owens *(Deputy Chair)*, Mrs Bronwyn Bishop, Mr Garrett, Mr Griffin, Mr Hayes, Mr Johnson, Mr Keenan, Mr Laming and Mr Ticehurst

Members in attendance: Mr Garrett, Mr Hayes, Mr Johnson, Mr Keenan, Miss Jackie Kelly, Ms Owens and Mr Ticehurst

Terms of reference for the inquiry:

To inquire into and report on:

The rollout process for digital television, including progress to date and future plans

Options for further encouraging consumer interest in the uptake of digital television

Technological issues relevant to the uptake of digital television

Future options

WITNESSES

Committee met at 9.24 am

FLYNN, Mrs Julie, Chief Executive Officer, Free TV Australia Ltd

McGARRITY, Mr Ian, Chair, Digital Broadcasting Australia

O'KEEFE, Mr Timothy, Managing Consultant, Digital Broadcasting Australia

CHAIR (Miss Jackie Kelly)—I declare open this public meeting of the House of Representatives Standing Committee on Communications, Information Technology and the Arts inquiry into the uptake of digital television. The inquiry arises from a request to this committee by Senator the Hon. Helen Coonan, the federal Minister for Communications, Information Technology and the Arts. Written submissions were called for and 66 have been received to date. The committee is now starting on a program of public hearings and informal discussions. This hearing is the first for the inquiry.

I welcome the representatives of Digital Broadcasting Australia and Free TV Australia. Although the committee does not require you to give evidence under oath, I advise you that these hearings are formal proceedings of the parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Please make a brief opening statement, if you wish, and then we will proceed to questions.

Mr McGarrity—Thank you for the opportunity to appear on behalf of our 78 members. I have been involved in broadcasting for a very long time and during that time there has never been another organisation like Digital Broadcasting Australia. Generally, in the analog television era, there was obviously close contact between the different layers of the industry—namely, retailers, installers, consumer electronic equipment manufacturers, suppliers and broadcasters. There was a symbiotic relationship, but one that was underpinned by longstanding and very well understood technology. In that environment there were few reasons for retailers, installers, consumer electronic equipment manufacturers and broadcasters to form a special body to help inform consumers about what services were available on analog television and where and how they could get the equipment necessary to receive it. In the free-to-view digital environment things are quite different. The technology is new and the viewing possibilities it creates are a significant step up from what was and is available through the analog free-to-air television platform. Digital Broadcasting Australia is an organisation which is reflective of the horizontal market. I am sure we will talk about that a little more as the morning unfolds.

We have a significant number of members in all four industry layers. While the different membership layers and individual members within those layers may have a range of quite different views, they have recognised the necessity of joining together in Digital Broadcasting Australia to assist consumer knowledge and take-up of free-to-view digital television. I am sure members of this committee are aware—or certainly will soon become aware through the various submissions—of the plurality of views concerning free-to-view digital television. Because of the plurality of member views it is not appropriate for an organisation like Digital Broadcasting Australia to put forward specific policies or specific advice for the future. That is best done by groups of our members or individual members dealing with the committee. However, given the title and focus of the current inquiry, the board of Digital Broadcasting Australia believed it was important to formally provide its estimate of current take-up and roll-out of free-to-view digital television services and to suggest a few mechanical or background matters into which the committee may wish to further inquire.

Regardless of how different individual entities describe the current status of free-to-view digital television in Australia, I believe the horizontal free market which characterises it has been vigorous. From the DBA perspective, all layers of the industry have played their part in ensuring that the services allowed by legislation are widely available and that a large range of equipment is in the shops to enable members of the public to convert to digital. In my view, having regard to my position as chairman of the organisation, all layers of our membership should be congratulated for that.

Mrs Flynn—I would also like to thank the committee for the opportunity to appear before you on behalf of Free TV Australia. Free TV is the industry body that represents Australia's 48 commercial television licensees. Four-and-a-half years after the commencement of free digital services, we believe the industry has a good story to report back to parliament on the achievements to date. Our submission covers the key issues but there are a couple of points that I would like to emphasise. In 1998 and 2000, the Australian parliament approved a framework to convert Australia's existing analog broadcasting system to digital in order that all Australians can enjoy, in their own homes, DVD and cinema picture quality, surround sound and widescreen—all the elements that digital television delivers—while ensuring that, as the then minister, Senator Richard Alston, said in his press release at the time, Australia is at the forefront of global developments.

The switch to digital services is happening globally and Australia is at the forefront of that transition, particularly in relation to free-to-view digital services. It will permanently change the way that people view television. The legislative framework agreed to by parliament—I think this is a really important message for people to understand—is about free-to-view television. That is in recognition of the fact that the vast majority of Australians, around 78 per cent, continue to watch free TV services. We are probably unique in the world in our commitment to free TV services. This contrasts very starkly with other countries such as the UK, where the initial driver for digital television services has come from the pay TV sector.

Under a free-to-view digital model, prices of digital receivers are kept low because all levels of the industry—manufacturers, retailers and installers—compete on price. The other key element which we think is really important is that consumers can decide how and when they will make the switch and they do not have to pay a monthly fee for the privilege. Once they buy their set-top box, that is it. They can choose to go as high as they like with the whole enchilada—the plasma screen, high definition set-top box—or they can simply get a set-top box retailing at under $199 widely around Australia, for their existing television set.

We have rolled out digital services across Australia with minimum interference to the existing analog services. Ian here has worn another hat for the last 4½ years that we should talk about later, in that he has managed that interference management scheme on behalf of all the broadcasters—the commercials and the nationals. In a country the size of Australia, this has been a massive undertaking which has not only involved rolling out new transmission towers at a rate of around two per week, but has also involved the complete re-equipping of studios and the retraining of staff to operate in the new digital environment. Television stations have had to be rebuilt from the ground up. Technically, the roll-out has been quicker and more successful—I am talking in a DTT, or digital terrestrial television, sense, which is the over-the-air system—than anywhere else in the world to date. This has been recognised by the input from Australia into the development of the international standards for digital video broadcasting television. We have had delegations from the European Broadcasting Union, China, South Africa; we have been invited to South America. Most recently the Arab Broadcasting Union has also sought advice. Our chief engineer, Roger Bunch, was invited to Beijing recently to address the main committee there that has oversight of the changes in China. That is because we have had to grapple with the notion of rolling out across a continent the size of Australia.

Free-to-view digital services now reach 85 per cent of the population. In addition to rolling out the infrastructure, we have supported the roll-out in a variety of ways, including helping to establish DBA, managing interference issues, working with the manufacturers on technical issues such as over-the-air downloads, and through an on-air campaign directed at consumers to promote the benefits of free-to-view digital services. We are committed to a successful conclusion to the digital roll-out and we will participate in the departmental review of analog switch-off later this year.

I also note that, as the industry body, we speak on matters about which we can comment on behalf of the industry as a whole. As the committee will be aware, while all broadcasters are committed to the roll-out and its successful completion, there are some differences of opinion on how best to proceed from this point forward. Questions on those matters are appropriately directed to the individual broadcasters. I am sure that, as politicians, you will understand I am bound by the limits of what we have agreed as policy.

CHAIR—Thank you. Are there any questions?

Mr TICEHURST—Yes. Certainly the set-top boxes have made a big difference. In fact, I have four of them; I have two in Canberra and two at home. By using a set-top box, I can get away with using indoor antennae. In some cases you might need an amplifier indoors but it seems to work very well. I am from the Central Coast of New South Wales and there is no direct line-of-site to the translator as there is a hill between where I live and where the translator is located. On the digital channels they appear to be transmitting at a lower power than the analog channels and sometimes that causes dropouts in signal. This does cause a lot of frustration. I refer in particular to people who have bought digital sets, who have had the same sort of problem.

Mrs Flynn—You probably live in the most congested spectrum area in Australia because of the Sydney conurbation problem of Newcastle, Sydney, Wollongong. Your area sits right between Sydney and Newcastle. One of the reasons that the digital signal is at a lower strength is because of interference into the analog signal, which is the other issue that we have to manage at the moment.

Mr McGarrity—Bouddi, Gosford and Wyong are the locations of the three translators in the area. Other members of the committee may not be aware that it is called an overlap area. So the three metropolitan networks are there—9, 7 and 10 from Sydney and Southern Cross, NBN and Prime from the regionals, plus the ABC and SBS. In analog terms you need eight channels at each one of those translators. Digital is a single-frequency network so there is only one channel.

That is why, as Julie said, it is congested. It is one of the more difficult areas because of the topography. From memory, the digital channels provided are adjacent to the analog channels that people watch. That means that broadcasters are hesitant to go to the fullest allowable power because it could affect the adjacent analog channel which 90 per cent of people are still using in that area. That will be something for the broadcasters to do over time. There are a few other areas of Australia but I do not know that you could live in a more interesting TV reception environment than the one that you represent.

Mr TICEHURST—I certainly had an issue of picking two RF channels because I take a set-top box with RF to feed a couple of other TVs, and there is the VCR-DVD combination also with RF output. To find those two channels I had to make a listing of the whole lot. You are right: it is congested.

Mr McGarrity—Our advice is to use the AV leads because of that difficulty. The way you are connecting means that there is almost a transmission occurring between the set-top box and the TV set. Where you have 32 channels already being used by existing broadcasters, the channels may coincide and you then get interference.

Mr TICEHURST—I finally selected the right channels and it worked fine. With one box I can have three TVs all working on the same station. You can watch a DVD on any one of the three at the same time.

Mr McGarrity—Perhaps our estimate of 50,000 set-top box sales to people with multi set-top boxes in their home needs to be revised in light of your experience.

Mr TICEHURST—You made the comment, Julie, that approximately 79 per cent of people watch free TV. I have never found a reason to go to pay TV. What are you getting for $50 or $60 a month?

Mrs Flynn—My colleague Deb Richards, who represents the pay TV operators, may have other comments to make. Our industry organisation is very committed to the fact that we have high-quality free-to-view television in Australia. We know from research done across a range of separate issues over the last five or six years that Australians are very committed to the fact that it is free to view to them.

Mr TICEHURST—It is certainly better than free in America or England.

Mrs Flynn—We also have very good quality over-the-air analog reception as opposed to a country like America where 80 per cent of the population receive their free-to-view signals over cable. That is largely because their over-the-air signals are lousy and their NTSC system is not as good as the PAL system. The debate in the US around analog switch-off is focused very much on the fact that the people who do receive free-to-air over-the-air signals are largely in poorer rural communities. There are about 20 million of them which is the total population of Australia, and there is a very strong battle there about those people needing to continue to receive their services. There is an issue in every country around low and fixed income households and the transition to digital.

Mr TICEHURST—The set-top box can be difficult to tune. In some cases if you tune the channel, it is not on the right frequency. I bought a Sony combo recently and I needed to get a list of the frequencies of the channels. If you set up for Channel 9, the equivalent frequency on the UHF was not necessarily the same—for example, it might be 64 instead of 68. Some particular items would let you tune on a channel number that actually related to what we have here; however, on most of the new gear I own, the frequency did not line up with the channel number on the set itself.

Mrs Flynn—That would be a particular model number. We have a set-top box at home which is a standard definition TEAC set-top box and you push the button and it is automatic. The set-top box is a different technology from plugging in your TV set and turning the dial.

Mr TICEHURST—This is the Sony combo, the VCR unit. I set it up for digital and analog so that we have the option of going from one to the other.

Mr McGarrity—You do have to do the scanning with the boxes. Normally, if the signals are strong enough, the boxes will pick up and alight on those channels. In the very early days, in early 2003—and this did happen in your area—there were difficulties with the single-frequency network during site works and signals would go down and then you would need to rescan. Certainly, in the early days it was complex.

Ms OWENS—Television is the most fantastic medium that links the story teller to the community. People are saying there is a sameness now about the stories shown on commercial free-to-air stations. With the digital world, where so much more is possible—higher definition, better pictures and more content—how can regulation encourage a greater range of story telling?

Mrs Flynn—The individual broadcasters would say that they have a particular niche. Television has never been more competitive than it is at the moment.

Ms OWENS—I am not talking about competitiveness.

Mrs Flynn—We have never seen so much coverage of it either, ironically, given that everyone says we have issues with eyeballs, competition and all those things—all of which is true. With respect to the regulatory framework, I am a bit constrained in the sense that we operate in the framework as it is now. All those issues are currently under review. There is a difference regarding high definition and multichannelling. In the US it is being driven by high definition; in the UK it is being driven by multichannelling. These are business model options and the government will take those elements into consideration as part of the review. I cannot say, ‘Go this way or that way.’ All I can say is that those elements are there and they are available to be used. It is ultimately for the parliament to decide which is the proper way to go. All of my members will be more than happy to appear before you and tell you fulsomely, one by one, what their views are on these matters. It is well known that Channel 7, in particular, has a view on multichannelling, Channel 10 has a different view, and Channel 9 has a different view again.

Ms OWENS—You cannot see a way to allow those different views to co-exist?

Mrs Flynn—That is not for me to say. As I said to you, being a member of the Labor Party, I am sure you understand about being bound by party policy. In this case we do not have an agreed position and it is not appropriate for me to comment. But I can comment on how it looks elsewhere in the world and on what the issues are.

Mr GARRETT—I have a general question about whether there is a consensus view about the pricing signals that are likely to come into the market as we get closer to the analog cut off period. How will that play itself out?

Mrs Flynn—I will make one quick point about analog switch-off. The legislation is very carefully worded. It does not say there will be a switch-off in 2008. That would be the earliest point for consideration, or 'such longer period as is prescribed'. Nowhere in the world has anyone met any of the early analog switch-off dates. Even if the UK gets to 2012, it will have been 14 years from beginning to end, since they started in 1998. Although the Labour government did say in their manifesto in the lead-up to the election that they were committed to 2012 as the end point, at this stage in the UK two villages in Wales have switched off and all the village members were provided with set-top boxes, subsidised by the government. They are being used as a test trial area to see how that will work. There is no market anywhere yet, that we know of, where there will not need to be some form of government direction or intervention to reach a switch-off date. There are mechanisms to get there quicker, and I am sure they will all be part of the discussion around the table.

Prices are falling rapidly now. In our family, we paid $250 for a set-top box, and $900 for a 66-centimetre widescreen television set and a stand. It cost us $1,350 all up. We thought that was absolutely fantastic. It was cheaper than the four-by-three we had bought eight years earlier. The same TEAC set-top box and LG 66-centimetre screen TV was for sale 12 months later, in January this year, for $799. Someone told us the other day about plasma screens once retailing for $20,000 and now retailing for under $8,000. Around $300 is the sweet point for the set-top box; there is no doubt about that. Once it gets down to $99 you are definitely in the ballpark.

Mr TICEHURST—They do not have 32 per cent wholesale sales tax on them now either, which they did at the start.

Mrs Flynn—That is right.

Mr McGarrity—In the United Kingdom, about 60 per cent of television homes now have at least one digital television device. Notwithstanding that, probably only 33 per cent of their 55 million TV sets have been converted. In our submission we suggested there are 14.5 million Australian TV sets not converted, together with the fact that people have VCRs which have analog tuners in them. We need to find out how to convert them. We now have the market rapidly taking up DVD recorders, which have mostly an analog tuner in them. There is significant market growth of devices with analog tuners which, one way or another, will have to be converted. Even in the most successful country at the moment with DTTB take-up they have only converted about one-third of the devices.

In converting those devices, if you look at the pricing movements that have occurred in the last four years, we are talking about 820,000 sales in Australia. When you look at the millions of sets and devices that will have to be converted elsewhere in the world, the economies of scale will continue downwards. While there is no estimate of how far the prices will come down, our horizontal market here is pretty vigorous at the moment with nearly 70 models competing for 40,000 sales a month. I suspect we have a model that will keep the price down as low as possible and a market situation in which the base price is reducing significantly. It is probably the best it can be, looking forward, without somebody being able to give you a number.

Mr GARRETT—The reason for asking the question from our perspective is that there is an intersection between the market and the regulation, and they always interact with one another. If there is a thought that the regulation is not going to be the regulation then the market will operate even more so in one way, and if the thought is that it will operate the other way then the market will operate the other way.

Mrs Flynn—We expect there will be some clearer views. We are looking forward to the departmental review paper later this year and what the current government thinking is around those issues. In the UK they have established in the last couple of weeks a body called SwitchCo. It is made up of broadcasters, manufacturers and retailers, so it is a similar kind of organisation, aimed at informing the broader community about analog switch-off. Our members, particularly our regional members, have a very strong commercial interest in getting to the end of this period because the costs of simulcasting are very high.

Mr McGarrity—I would not be surprised if it is in the order of five per cent of their operating costs. Even the third biggest regional, which is Prime—the two biggest are WIN and Southern Cross Broadcasting—has about 200 transmission facilities to convert, whereas the biggest of the metropolitan networks, 10 and 7, because they own stations in all five markets, had 28 to convert.

Mr GARRETT—Are you talking about the technical conversion?

Mr McGarrity—I am talking about putting in a new transmitter and upgrading the site.

Mrs Flynn—So that people can actually receive the signal. I have been saying this in public forums for a couple of years now: it is not the sexy part of the business but the absolute underpinning of the successful transition is to get the technical roll-out correctly done. In the UK you had the whole ITV digital platform fall over and the UK government had to start again. We have had none of those problems. You cannot start marketing to the general public until you have coverage, equipment and content all lined up. That is why we did not start a marketing process until 2003. The graph in our submission starts to kick up at exactly that time when we started to market to the public. We have actively under consideration a further marketing campaign for the second half of this year.

Ms OWENS—In keeping up with world standards, what is happening with interactivity in Australia at the moment?

Mrs Flynn—Interactivity is mainly in the pay environment. In the free-to-view environment it has not been a major feature. The major feature in a free-to-view environment has been better pictures, better sound and widescreen. The main drivers of interactivity, as I understand it, for BSkyB have been gambling and pornography, neither of which are allowed on free-to-view television in Australia. The broadcasters are already very actively involved in interactivity using a back channel of a mobile phone—SMS text messaging. What we quickly discovered, from the beginning of the process in 2001, was that our viewers wanted to interact by participating in programs. Australia has pretty much led the way with that. This was the debate about what sort of box you had and what sort of back channel you had. A lot of people did not understand that when you got your pay TV digital set-top box, you actually had to plug it into a phone line and you are racking up telephone charges. I am not sure if it is every time as I am not an expert on Foxtel Digital, but interactivity means you are clicking away on that phone bill. That was what all the argument was about.

The national and commercial broadcasters went to Europe in 2001, and came back and gave their support publicly to the development of the multimedia home platform as the standard for interactivity in Australia. Unfortunately, we do not control the development of MHP and those standards are still very much being developed. The broadcasters reaffirmed, as recently as late last year, their commitment to MHP as the standard. I am certainly not going to say there will be MHP boxes in Australia by the second quarter or third quarter because we said all that in 2001 and it did not happen. However, MHP enabled boxes are now available in Europe and we expect them to be made available by the suppliers and the manufacturers in Australia in the not-too-distant future. That will be the standard that the free-to-view broadcasters will apply.

Mr McGarrity—MHP is software that sits within a box and allows the features of the hardware in the box to interact with the applications that come in. It is like a Windows system which allows the applications to interact with the features of the box. That is what MHP is about.

Mrs Flynn—The reason for supporting MHP is that it is an open standard, not a proprietary standard. All the manufacturers made it very clear early on that they would not be putting proprietary standards in their boxes. Phillips, Sony, Panasonic, Nokia—

Mr O'Keefe—And Samsung and LG.

M' Flynn—are the main drivers of the MHP standard.

Ms OWENS—So that has been the reason for the delay; that is why we have not had compatibility among the boxes until now?

Mrs Flynn—The present zapper boxes do not allow for interactivity. There was one particular box that was in the market, a TEAC box, which allowed for an HTML standard, which is a subset of MHP, and Channel 9 was experimenting with that. They have suspended those services as the boxes are not there to get the services.

Mr McGarrity—It was estimated that there were only about 10,000 of those boxes. It is difficult to know in a horizontal marketplace which houses had the boxes.

Ms OWENS—Talking about experimentation: none of you actually represent the content producers directly?

Mrs Flynn—The production houses have all invested very heavily—

Ms OWENS—I know. My question is in terms of the future, with Australian content producers being competitive internationally and whether there is much exploration going on overseas with new styles of program that incorporate new digital technologies and whether we are keeping up.

Mrs Flynn—I heard about this problem when I went to the UK in September 2002 from ITC, which is the predecessor of Ofcom. They refer to their over-the-air commercial broadcasters as their public service broadcasters, not just the BBC. Their concern was that in a fragmenting market the commercial broadcasters, who had been the primary drivers of local content, would not be able to continue to deliver in the future.

Ms OWENS—That is partly my concern.

Mrs Flynn—That is one of the reasons why we have very strong views about new licences. We think that the current arrangements which limit the number of commercial licences in Australia is a major contributor to the fact that we do have high-quality standards in Australia and high-quality Australian content. We are the major underwriters of the independent Australian film and television industry, even though film is the more high-profile area. At each of the broadcasters—Posie Graeme-Evans at Channel 9, Sue Masters at Channel 10 and whomever at Channel 7—there are key players who have been instrumental in the Australian content industry for a long time. It does not get to my level—what they might try to do and how they might try to change things in terms of a digital environment. There is a lot of tick-tacking—despite what is sometimes an arms-length situation between, say, SPAR and us—at an individual level between the producers and the broadcasters. For instance, programs like *McLeod's Daughters* have been produced in high definition and sold overseas very successfully.

Ms OWENS—It has been a very successful export industry.

Mrs Flynn—Yes, it has. It looks fabulous on television. The television production standards in relation to drama are very high. The difficulty in a market this size is to meet the total costs. Once upon a time it was easier to sell into foreign markets but the European Union has tightened its rules and regulations.

Mr HAYES—What is the potential for the over-the-air downloading of software? Other than diagnostics or fixing issues, does the industry have a view about further potential?

Mrs Flynn—We are doing a lot of work on that right now. We will be having a further meeting in a few weeks time. No fewer than 30 people have put their hands up to attend, so the department has requested a smaller meeting. That shows that there is a great deal of interest both from the broadcasters and from the manufacturers. There are a number of difficulties with over-the-air downloads, including how to manage them and what sort of system to use. We have been working very closely with the national broadcasters, and have proposed a couple of options to the manufacturers. We are waiting for the manufacturers to come back to the broadcasters. Essentially, we would be looking at a system where one or maybe two of the national broadcasters would carry an over-the-air download on behalf of a manufacturer. It may also be an application that the broadcaster wants sent over the air or tested. Setting up a testing and conformance centre is extremely expensive.

Mr HAYES—Who takes responsibility for it?

Mrs Flynn—That is right. There are major liability issues as well. A lot of work has been done on that as we speak. Where the current work will go I am unable to predict but there is certainly a lot of awareness. It is particularly important once MHP boxes are in the marketplace.

Mr McGarrity—In England there is an organisation called DTG Testing Pty Ltd, which is a fully owned subsidiary of Digital Television Group, which is the group that involves the retailers, manufacturers and broadcasters. In England there are people called multiplex operators, too. I mention this because it was extremely important in upgrading their fairly rudimentary middleware applications program interface. They had a version of MHP which allowed very rudimentary interactivity. They upgraded that largely over the air for MHEG5. It was very important for them to do that because it meant that you did not have to repatriate set-top boxes back to some central point for upgrading.

There are about 40,000 or 50,000 homes in Australia that receive free-to-air television direct from satellite, including from three of the members of Free TV Australia and the two nationals. The system integrator is Optus, who have provided at least five or six over-the-air downloads. With two downloads there were unfortunate consequences for some of the boxes because the testing of the over-the-air download was insufficient. It is a big problem in a remote environment such as 250 kilometres west of Alice Springs, in trying to get advice on how to restart your box.

Mrs Flynn—I am sure some of the manufacturers will discuss the issues concerned here. Some of them are concerned that they do not actually know the coding in a number of the boxes entering Australia. So you do not know whether you may have an impact on somebody else’s box. The whole point about an over-the-air download is that it goes to your box, whether it is a Sony box, a Panasonic box or whatever. If some cheap import has come in that has used a similar coding device, there might be a problem. But that is not my area of expertise.

Ms OWENS—With respect to the take-up rate, quite often events or content drives changeovers to new technology, as new stock becomes available and old stock becomes unavailable. I bought my last VHS because the Olympics came along and I wanted to record *Roy and HG*. Not that I did so, of course, because that would have been a breach of copyright. Do you see any major events coming up in the next four years that might actually alter the rate of take-up? In the UK the government has introduced some programs that assist pensioners to switch over. Do you think that will be necessary here?

Mrs Flynn—There will be a couple of events that will be major drivers, not least of which is the 2008 Beijing Olympics, which will be delivered for the first time in high-definition, widescreen 16-by-9. The last TV set we bought for our household before our current one was for the 1996 Olympics, and that is pretty typical of Australians. There is also going to be the 2006 Soccer World Cup and the next Rugby World Cup. That is the graph that I was referring to earlier in our submission on page 6 related to take-up. In June 2003, when we started the advertising campaign on television, the graph starts to pick up. At this point in the graph, between June and December of that year, you also had the Rugby World Cup and a lot of in-store promotion of Channel 7’s coverage providing digital channels with an alternative commentary. If you were watching England versus Australia you could hear the pommy commentary rather than ours on one of the digital channels. The other channel had a picture from the main screen that had updating of player stats. That was clearly a driver at that time and it was probably the same thing at around the time of the Olympics. The problem with the Olympics last year was that the host broadcaster provided them in 4-by-3. The key driver will be the Beijing Olympics. It is going to look absolutely amazing.

Ms OWENS—It will be like nothing we have seen before.

Mr McGarrity—There are a number of drivers and obviously services and content are going to be extraordinarily important. Equally, there are fascinating dynamics which exist in our marketplace and one needs to consider looking at the base of what consumers have in their homes. There are about five million TV homes in Australia with DVD replay machines. People have very rapidly moved from hiring VHSs to hiring DVDs, for the significantly better sound and picture quality. At the moment there are five million DVD replay devices but probably only between 800,000 and 900,000 widescreen TV sets. There is a natural magnetic pull for those widescreen set numbers to move towards the five million mark. If people have gone to DVDs, are they always going to sit there and think they are getting the best out of their DVD machine either by stretching the pictures and providing the picture to the full screen or by having the letterbox effect? There is that dynamic in the marketplace with an existing 4.1 million gap. Equally, with the next stage of DVDs, high-definition DVDs—that is three years or more away—when people start realising there are high-definition DVDs, that will be a significant kick-up for high-definition television. Just like DVDs, standard definition is a significant, migratory, magnetic pull for people to get widescreen sets that fit the DVD. So there are those consumer electronic dynamics as well.

Mrs Flynn—The blue curve on the graph on page 7 is the DVD take-up in Australia and at year 4 it was sitting here. The pink one is widescreen and the yellow one is the digital set-top boxes or receivers. So we are tracking slightly ahead of that at this stage. This is a typical consumer electronic take-up. Usually, if you get to 10 per cent after five years, you are doing very well. Price was clearly an issue when colour television was introduced in 1974 and the figures for 1974 to 1975 showed very low penetration—one per cent, two per cent or three per cent. What did we have in 1976? The Montreal Olympics. After that the figures shot up. That is probably the highest take-up in Australia of any digital products—the growth from black and white to colour was very rapid after the Olympics in Montreal. A colour TV set was the equivalent price to that of a small car at the time. So there was the drop in prices combined with something that made you say, ‘Yes, we should have this.’

Ms OWENS—At the moment we have technologically quite a pile on our television, don’t we?

Mrs Flynn—Yes.

Ms OWENS—We have the VHS recorder because the digital recorder is too expensive. Then we have the DVD player because you cannot get VHS any more. Then we have our set-top box, our pay TV set-top box and our television.

Mrs Flynn—Yes. What is the story with digital integrated sets?

Mr O'Keefe—There are far more models coming into the market as prices go down. We are now looking at integrated sets costing less than $2,000 for a large 76-centimetre television set. We are finding with many of the new plasmas and LCD screens that are now being introduced that companies like LG are introducing integrated tuners into those screens. As a proportion of total receiver sales, integrated sets are not that great at this stage, but we can see that it may increase. It really depends on that differential between buying the component arrangement of having a screen with a set-top box versus the price of buying it integrated. Even though prices of integrated sets have come down, prices of the components have come down even further. The margin difference between an integrated solution and a component solution is still there.

Mr McGarrity—One of the things on our activity agenda this year is to produce a new set of pamphlets and a new presence on the web site for our generic views of the best way to interconnect this significant range of devices. It is an issue. It is not necessarily an issue about digital television; it is an issue about how there is a display device there into which a growing number of devices feed in. If you are like me and buy your devices separately, you will probably find that each of the manuals tells you to connect the aerial to it first, because that particular device is looking to get the best aerial input in order to make the best performance. Once you have got three or four of them they cannot all be first. There is going to be a need for us to help to give generic advice as to how you can interconnect those growing number of devices in order to maintain the very significant margin of quality in sound and pictures that DTT has.

Mr HAYES—Could we possibly get a single remote control for all these things?

Mr McGarrity—They do exist. I do not have one at home. I am a bit like the people in the area around my holiday house who always vote against the town water being connected because they say they have already paid for their tanks. I have put in the hard yards to understand how my remotes work. I suspect that if you get a single remote a fair bit of time will be spent on making it work.

CHAIR—And when the batteries run out, everything is affected.

Mr McGarrity—It depends a bit on the legacy devices you have in your lounge room. You might have a 12-year-old VCR that still works, and the clever integrated remote might not recognise it.

Ms OWENS—Which marketing genius decided to call it a set-top box?

Mrs Flynn—Obviously one of the manufacturers!

Mr O'Keefe—I think it came from the pay television satellite area.

Mr McGarrity—I am going to blame the aviation industry because they came up with black boxes.

Mr O'Keefe—There was some discussion amongst the suppliers to call it a digital receiver. That made sense but 'set-top box' is now with us, unfortunately.

CHAIR—I would like to clarify a few things in terms of the reason for the slow take-up. You mentioned that $99 to $300 is the ballpark figure at which people are starting to buy it, but you also mentioned that zapper boxes are not future-proof, so people are going to have to buy something else later.

Mrs Flynn—I suspect that what people will do is put them onto their second and third TV sets. If you are buying them, you do not necessarily want the whole thing on the bedroom TV or the one that is in the kids' play area. As you do when you buy a new VCR or DVD, this is a pattern that we already see in the Australian home. People tend not to throw these devices out. They take them and put them onto the subsidiary or second set. We would expect that those boxes will still continue to be used.

CHAIR—With respect to your move for an integrated testing centre for all receivers, be they imported, or from noted manufacturers, you mentioned a UK group, DTG—

Mr McGarrity—DTG Testing Ltd.

CHAIR—Do you see the private sector providing a facility like that or do you have a view on who should provide that?

Mrs Flynn—The cost has been a key issue as to how that gets developed, and that is a matter for all players. The broadcasters are certainly examining ways in which we can facilitate it ,but I would not suggest that we are close to an agreement on all of that. We are still waiting for the manufacturers to come back on the proposal that we have given them.

Mr McGarrity—In the United Kingdom, the DTT testing was fundamentally paid for by the British government and the four major manufacturers of consumer electronic digital receivers. That is where the money came from.

CHAIR—On what sort of ratio?

Mr McGarrity—I think the initial grant from the British government was for £750,000 and they also got a non-recourse loan from DTG of about the same amount. The four major manufacturers paid £50,000 per annum for the first two years to give it its initial seed capital and initial working capital when it was in a negative cash flow situation.

CHAIR—Do you think something like that in Australia would assist consumer confidence?

Mrs Flynn—We do not think there is a lack of consumer confidence; we think there is probably a lack of awareness. We are doing what we can to address that but I also think Australians are pretty canny. Given we have just been talking about the variety of things that we currently have, they know that the prices are going to come down and they are waiting to see what happens. Certainly, if we did not think that this was a major issue for giving further confidence to consumers, we would not be considering it because it is quite complex. You asked earlier about what we should give them. The ETSI standard, which is what is applied internationally, has a simple and enhanced profile for boxes. We have basically developed a system for over-the-air downloads that would apply either of those standards. I think it is true to say that the manufacturers use the simplified standard. We have said, 'Look, this is how we think it could be done; this would be the viewer experience.' For us, a key part of this is that we do not want to disenfranchise our viewers. We do not want the viewer to be sitting there watching the State of Origin tonight and, all of a sudden, their screen goes black because there is an over-the-air download for the next 15 minutes. So there is quite a lot of technical detail that sits behind this and then there is a business case that you have to construct as to how this would be done, who would fund it and how it would be developed.

CHAIR—You are working on bringing that to the industry or bringing that to the government?

Mrs Flynn—We have been working with the industry on it but the government has clearly made a commitment to TCC in its last election campaign. I gather the manufacturers may have had some discussions with the government about funding but we have not been involved in those.

CHAIR—That covers why a few of your stations have tried a few experiments. You mentioned Channel Nine experimented with a TEAC set in HTML. You do not want to head down that line until you have got some sort of standardised—

Mrs Flynn—We have all agreed on MHP, and HTML is a subset of MHP. That is really a matter for the individual broadcasters.

CHAIR—How would a consumer know they are getting MHP?

Mr McGarrity—When MHP occurs and boxes come out here, I think the licensing environment for MHP is quite rigid. You will find that in order to have the MHP badge on the box, you will have had to have entered into quite a tight licensing arrangement with the MHP side of another organisation, this time based in Switzerland, called Digital Video Broadcasting. The licensing arrangements, as I understand it, for that software/middleware that our broadcasters have all alighted on as being the open standard that they want are significantly more onerous and tight than licensing arrangements to put DVB on your box.

Mr O'Keefe—That is true.

CHAIR—At the moment we have retailers selling analog sets in droves. We are potentially two or three years away from that being a useless device. What is to stop the same thing happening with the set-top boxes? There are all these set-top boxes on the market. Obviously, not all of them will be MHP. Why can't you just keep selling your $99 ones?

Mrs Flynn—Presumably you will. Not everyone will want to have interactivity. Interactivity has not been a driver in the free-view market to now. That is not to say it will not be.

CHAIR—You would only need the over-the-air downloads if you wanted interactivity? You would not have to—

Mrs Flynn—With the very cheap zapper boxes, they will just bring out a new model.

Mr McGarrity—You have got the cheapest zapper box, which has kind of nothing in it.

Mrs Flynn—It is an adapter box.

Mr McGarrity—It will convert the signal coming in so you can display it on your set. There are a number of rungs up. That box has no ability to receive an over-the-air download; it would not recognise it. You then have boxes which might be basic, standard definition boxes which have an over-the-air download receive capability. In other words, the original manufacturer, with the cooperation of broadcasters or some other mechanism—it could be the internet—has manufactured it with an ability to deal with the software in that box remotely. That is a next step up. Even that box may not have any interactivity associated with it. It may well be that you are able to upgrade some other aspects of the functionality of the box. You get these tremendous variations from the ultimately high definition MHP, fully interactive box and the absolutely cheapest zapper box. You will probably find, as the market unfolds, that the more expensive one and the one that gets replaced most often will be in the lounge room. The others will migrate down to the rooms where less TV is watched, possibly where the little four-by-three still is. I do not think you should see the simple zapper box as being something that will automatically become legacy. I suspect there have been enormous efforts made to ensure that, no matter how sophisticated the services are, the basic television that can be watched on that box is a continuum whilst that box continues to operate.

CHAIR—The impression I got from the manufacturers—and correct me if I am wrong—is that the broadcasters would continue to develop the signal. The signal itself is going to morph into whatever in the future—narrow spectrum et cetera—and you would need these over-air downloads to keep up with what the broadcasters’ capabilities were. That is just receiving the signals without interactivity.

Mrs Flynn—I would have to take that on notice and come back to you. That is too technical an engineering question for me.

Ms OWENS—What you are really talking about there is consumer knowledge at the point of purchase.

CHAIR—Or future proofing it. Basically, what they buy pre-2008 is going to see them through the respectable life of their TV set.

Mrs Flynn—I am not aware that that would not be the case. As I said, I would have to take that question on notice.

Mr O’Keefe—I suppose the issue is that, whether it is a set-top box issue that has to be fixed or an issue with an integrated television set, as Julie was saying, if you have a $79 set-top box, it may be more sensible for the supplier of that just to give you a new set-top box, take the other one back and upgrade it back in the factory, or you just dump that one and buy another one. It is a consumable society.

CHAIR—You can do that for $79 but if you have just paid $2,000 for a digital TV you are going to be cheesed off.

Mr O’Keefe—That is right. The digital television set does not have to have MHP capability or even be in high definition, but it does make sense for the consumer to have an over-the-air download to that television set rather than wait for a serviceman to come and either fix it on site or have to send the television back.

CHAIR—My understanding is that the consumer does not even have to be involved in the over-air downloads. It is just something that the broadcaster is doing with the manufacturer.

Mr McGarrity—They have to leave their set on.

Mrs Flynn—It has to be in standby mode, as I understand it. We had this great discussion about whether you turn the set-top box off or whether it is in standby mode. If you turn it off, you are not going to get anything. We certainly never turn our set-top box off. We just turn the TV set off, so the set-top box would stay in standby mode. That is part of this thing that we have been working on with the manufacturers. They are currently considering how you would alert a consumer, and whether there would be something in the initial set-up of the box which says 'accept all over-the-air downloads', or whether there is another process whereby they decide not to accept over-the-air downloads or they can go back in at some time and accept individual over-the-air downloads. There is a whole series of complicated issues that sit behind that. As I recollect, many of the boxes have the capacity to simply accept all over-the-air downloads. That is one of the things we would be recommending to the manufacturers that there is a capacity to do at the time of the original set-up. Then the over-the-air download can take place between one and five in the morning and if people are viewing at that time, they have the capacity to reject the over-the-air download. Of course, there are lots of shift workers so people are up at that time. Certainly, how that device works is a matter for the manufacturer, not the broadcaster.

Mr McGarrity—I also remember doing some work on it towards the end of 2003, and these figures should not be taken as gospel, but I think at that time there were only four or five set-top boxes capable of receiving an over-the-air download. There is a significant number in the marketplace that do not have that capability already.

CHAIR—That is where the Australian manufacturers are at with the Chinese imports. They are not able to use zapper boxes.

Mr McGarrity—I cannot say because I cannot recall which ones did and which ones did not. It would be once again a matter of price and how competitive the market was.

Mrs Flynn—Obviously a lot of the Chinese imports are at the cheaper end, but having seen a recent program on television about what the Chinese are doing—it was the Wal-Mart program on SBS—I do not think you can categorise them as being from any one place. It was quite interesting that they are developing high-end TV receivers as well. The purpose of the horizontal market is so that the consumer can get the benefit of the cheap imported box.

CHAIR—That benefit has to be properly explained: if I pay $75 now I will be paying $70 later, whereas if I buy this for $300 I do not have to go through the hassle later. Especially for the rural people that you mentioned earlier, if something goes wrong, they are 300 miles from the fix. On that, you mentioned somewhere in Wales where they had a rural switch-off area—they had switched if off in a trial area, picking rural areas first. Is that something you would suggest?

Mrs Flynn—That might be something that the government would consider. We have not turned our mind to the analog switch-off thing collectively because we have had a whole range of other digital reviews to contribute to, as well as this one. We know that that paper is coming out in the next couple of months; it must be completed by the end of the year. We are already starting to do some research about what analog switch-off looks like in other countries and what the issues are around that. I would think that at that time we will formulate a combined position to put to government. We are also looking to have a view back to us of what government is thinking.

CHAIR—Do you see multichannelling or HDTV as the consumer driver?

Mrs Flynn—I am not the person to ask that question.

Ms OWENS—Are the retailers showing any concern or doing anything at the moment to improve the quality of information that people get when they buy?

Mr McGarrity—This might be an interesting test. We believe there was a particular retailer that made some comments in the middle of last year about the degree of assistance and advice available to it. As a result of that, DBA and all of the broadcasters—not just Julie's members but the ABC and SBS as well—set up a retailer advice line. It was a special 1800 number, so it was free. It was publicised quite widely. This was an advice line for retailers to ring in and talk to a qualified technical person to assist them if they had a customer who was experiencing a problem. I have to say, whether this is absolutely reflective or not, that we never had more than 40 calls in a month for the eight months that that service ran. At the end of February, when the option date came for us extending it, we in DBA could not see it as being cost effective. I have a feeling it is horses for courses. You may well find retailers or manufacturer members who come and submit directly to you who will have particular stories. It was interesting that when we reacted to some comments asking for more support from retailers, there did not seem to be a great market demand for it. Notwithstanding that, DBA's raison d'etre is to provide as much information in the most accessible form to every layer of the industry within our budget.

Mrs Flynn—You should explain the retailer nights and how they have worked.

Mr O'Keefe—Whenever we get all five services up in a marketplace, we hold a retailer night in that market. We invite all the major retailers plus any of the local retailers to come along. They are normally held at a broadcast station—certainly in the regional markets—which gives them a feel that they are coming out to a night at a television station. The night goes from six through to eight and we give them an overview of what is happening with digital television in their market. Then we have a Q and A session with local broadcasters, suppliers and some antenna experts who are local people just to give them guidance on some of the issues that may be happening in their particular market. They are very successful. It is almost like a road show. We also provide them with point-of-sale material which they can hand out to their customers and a guide to digital television which they can provide to their staff. There are also DVDs to show in stores and we provide them with newsletters on a weekly basis as well.

Mrs Flynn—Tim, am I correct in thinking that they have been updated a couple of times already?

Mr O'Keefe—They have, yes.

Mrs Flynn—Chair, can I just go back to your earlier question? I cannot answer the driver question because there is a difference of view amongst my members. They will be more than happy to tell you what they think.

CHAIR—On assistance to the retailers, I shop quite regularly in my local electronic stores. I know my local pie shop guy, I know the local deli owner, I know my local chemist, but I honestly would not have been served twice by the same person in an electronics store.

Mr O'Keefe—It is a difficulty that we have.

CHAIR—Although you have told the CEO on your retailers' night, his Saturday morning, Thursday night staff—

Mrs Flynn—It is not the CEO.

Mr O'Keefe—No, it is all the sales staff, but your point is correct: we can go in there and talk to the sales staff today but are they there in three months time? They do have a high turnover within the retail industry and that is why we continue to back it up by sending out a quarterly newsletter to each of the stores.

CHAIR—I am going to have a look and see if I can see this in any of the stores.

Mrs Flynn—They all have them and we have many of them that we give out as well.

Mr O'Keefe—They are all on order. It is up to the retail stores to put the order in for any of this and it is all provided to them free of charge. If they do not ask, they will not get it.

CHAIR—Did you measure off your 40 calls a month to this helpline against the actual sales of televisions and see whether—

Mr McGarrity—No. If you wanted to relate it to sales, it was in fractions of one per cent. I think all of these sorts of things that you mention are a bit anecdotal because what does it really mean? Does it mean that the information went out when we set it up and that the sales staff turned around? Or does it mean that the sales staff maybe decided to take an easier way out and returned the set-top box to the manufacturer? I do not know. We were surprised, to be blunt, because we operated on the comments of retailers which seemed to be absolutely right.

CHAIR—What was the description for that service within the industry?

Mr McGarrity—It was called a reception advice line and it was set up in August last year. I think the information went out at the start of September. You will see it advertised in there.

CHAIR—When did it cease?

Mr McGarrity—It ceased on 14 March this year—not because we desired it to but when you have a limited budget you look at which is giving more value.

CHAIR—That brings me to how accurate your figures are for sales of digital TV. Given Ken's example of having four set-top boxes, are your figures right? Also, since you collected your figures, there are clearly numerous analog sets still being sold out there. You are trying to lean on the upside but from our discussions today it could actually go on the downside, from the figures.

Mr McGarrity—DBA does not say those figures are high, low or just right. DBA makes no statement, nor has DBA ever had a benchmark to say, 'This is what we need to achieve in order for our organisation to be regarded as world's best or world's middle or world's worst.' This is a situation where we can provide figures. Whilst the base of the figures come from the InfoMark industry statistics, they are backed up by the calls and personal discussions with DBA members who do not subscribe to the InfoMark figures. I think the greatest confidence you can have in the figures is the consistent trendline. In other words, you do not have it up one month and down another; it has actually been trending very similarly for the last nine months at around the 40,000 mark. I do not think I have ever seen our figures show some worrying lack of consistency. I think with industry surveys like that you would always ask questions about the absolute amount. Is the absolute amount accurate to within plus or minus five per cent? But it is the trend. So long as you see that you are doing the survey in the same way and you see the trend fairly strong and consistent, that gives you reasonable comfort.

Mrs Flynn—There may be some that we are not picking up at all in relation to installers—or have we managed to cover that?

Mr O'Keefe—We are not picking up people who are buying PC cards for their computers, who are watching digital television on their computers, which is a growing area.

Mrs Flynn—We think these are on the conservative rather than the high-end side. We have tried to bring them down to the basic figure. We are in a horizontal market. We do not own the boxes; we do not own the subscribers, unlike pay TV, who can tell you exactly how many boxes there are, where they are and what they can do.

CHAIR—All sorts of industries, including politics, will do a telephone survey where you ring people and say, 'How do you use the product? How do you feel about this sort of thing?' Statistically you would not have a sample of less than 400 and you would pick your markets. Have you ever done any of that?

Mrs Flynn—We have not done any of that.

Mr McGarrity—Perhaps the early adopters club, which is about 3,000—

Mr O'Keefe—It involves 5,000 people. It is an online club; you elect to join this club. Every year we survey them on what they liked and did not like about digital television. That survey had about 1,200 respondents last year.

CHAIR—They are nowhere near your low income, fixed income—

Mr O'Keefe—They are normally at the middle to upper end because they are internet connected and savvy.

Ms OWENS—A lot of the people buying at the moment would be in that early end. They are probably comfortable with having to make difficult choices and compare things. The kick for a lot of the ones that I have spoken to is that they enjoyed comparing 70 brands. Perhaps they did not need the help line in that particular group. As the greater mass start moving, a lot of those—and I would be one of them—will not really come in until the market settles enough so that they do not have to give that much time to the decision. Is this horizontal market starting to settle? Are there starting to be trends and patterns or is it still an amorphous 70-brand choice?

Mr McGarrity—Are you talking about whether there are particular types of boxes that are now starting to dominate the 40,000 sales?

Ms OWENS—For the person who is not interested in doing a lot of research, is the choice now becoming easier or is it still as difficult as it was?

Mr O'Keefe—There are a lot of options in the market. If you give consumers options that does raise the level of confusion. If a customer comes into a store and says, 'I want to receive digital television,' they can receive it with a high-definition set-top box, a standard-definition set-top box, one with a hard disk drive recording, one with interactivity included, one that includes a VCR or DVD player. There are a number of options. The suppliers in a horizontal market work with this continuously. One of the reasons why we probably had so few calls from retailers to this helpline, which is an industry helpline, is that retailers are used to ringing up their suppliers if they have an issue. Consumers ring the supplier helpline if they have an issue, and that is probably where the calls are going to. The consumer will still have the issues that you mentioned before with connectivity—how to connect the various boxes and set-top boxes and VCR recorders to get the most out of it. They want to record in digital on their VCR or they want to record in analog, they want to record in widescreen or four-by-three.

Ms OWENS—Or not to think about that at all.

Mr O'Keefe—And how do you then connect that arrangement with a pay television set-top box. Digital television is just one product in a number of products that have entered the market in consumer electronics, in home entertainment.

Ms OWENS—My question really related to over the next four or five years as the consumers that start to move in will want simpler and simpler choices, whether you think the market will match that demand for simplicity.

Mr O'Keefe—On the set-top box side, we are finding the quality of set-top boxes, even the low-price ones, is increasing from the early ones.

Ms OWENS—Low price sometimes just means simple and will last forever because it does not have all the tricks.

Mr O'Keefe—It has less plugs on the back.

Ms OWENS—Sometimes it is what you want.

Mr O'Keefe—We have to see that in the marketplace as well. We are part of a worldwide development here. Australia is not on its own. Europe is following down this track, the UK and—

Ms OWENS—It is a new technology and there are lots of different gains.

Mr O'Keefe—The improvement in chip sets, tuners and receivers is happening world wide and we are seeing the benefits here as well.

Mr McGarrity—I match it to my other experiences in consumer electronics. If I am going out to buy a digital camera now, is it easier to sort through the models than it was five years ago? For a consumer you may be more certain about the results because more of your friends are using them and you feel confident about the product, but there is a much wider range of possibilities to choose from. The same goes with laptops. You get confidence from friends and seeing other new technologies work with people. Another thing with digital is that a significant number of the boxes come in packages that the retailers and manufacturers have put together. It may be that in buying a particular display device, there is an offer in a bundled price of a particular set-top box going with it. The consumer might not have made that decision.

Mrs Flynn—They will make it easier for the consumer by saying, 'Here it all is, you get your surround sound, your DVD, your set-top box and your screen and we come and install it.'

Ms OWENS—So the market is starting to match in different ways what the consumer—

Mrs Flynn—I do not know if you are going to hear from any of the major retailers but they can give you a much better first- hand view. The obvious ones like Domayne, Harvey Norman and Bing Lee are out there actively promoting. One of those retailers set up a whole place in Skygarden in Sydney at the same time as the World Cup Rugby. They did a major promotion about their digital products around that event. Also, we received some assistance. We had a particularly tricky situation on the Gold Coast in Queensland because we had major analog reception issues in that area that the ABA and the broadcasters agreed we would address in digital by having much higher powered digital transmissions. When we switched to digital in October last year, particularly around Mount Tamborine, it caused a meltdown in terms of interference into analog, particularly for those people who had bought high overhead mast antennas to try to get the signal from somewhere else.

CHAIR—It might be a good area to test trial.

Mrs Flynn—So all the broadcasters pulled back at that time and we went to full power over Easter—April. Because there had been cooperation from the retailers in that area, from the local members and from the Beaudesert Shire Council in particular, the transition in going to full power went very smoothly. We assume that a lot of people actually got digital set-top boxes.

CHAIR—Is there any value in having a survey or looking at the issue of where that should come from and who should do that?

Mrs Flynn—The ABA is currently planning such a survey.

CHAIR—The questions in it would be designed by the pollster to check the assumption that, for every set-top box or receiver, that is one household fixed, whereas in Ken's example there are four set-top boxes in only one household.

Mr McGarrity—It is my understanding that the ABA's survey will reveal that.

CHAIR—Also a survey straight into that Mount Tamborine area. You would see if it is still exactly the same as other areas that have not had that activity but because of a lack of knowledge they did not complain.

Mr McGarrity—I do not know what level of sample they would have from Mount Tamborine. Generally speaking, until six quarters ago in the United Kingdom, the number of set-top box sales were a proxy for household uptake. Since that time, the set-top boxes have started to become commodities; they are the sorts of things that now get bought at Christmas for other members of the family and for second and third television sets. According to the Ofcom figures, in the last quarter of last year they sold 1.5 million, and 51 per cent of them were in homes that already had a set-top box. That had increased from six quarters before when it was 110,000 sales, 110,000 houses to six quarters later 1.5 million sales, 678,000 homes. So our view is that in the early days you get more of a proxy between sales and home uptake. Obviously, you are going to have some people who have particular reasons, particular interests to do more.

Mrs Flynn—The other thing we are seeing in the UK more recently is that a number of those houses that have had BSkyB boxes and have had pay digital are now also getting a free-view adaptor box, which might cost them £60 for the second and third set.

Mr McGarrity—They would be £40.

Mr JOHNSON—The digital web site that DBA set up, can you tell me when that was actually set up?

Mr O'Keefe—It was first set up in 2000. We have had a number of upgrades, we are on our third upgrade of that site.

Mr JOHNSON—I noticed a figure of 114,000 visitors in March 2005. That is a pretty impressive figure. Do you have a cumulative figure for that?

Mr O'Keefe—They are unique visitors to the site during the month. There are millions of hits in the month but the unique visitor is determined on that month. If they come back the following month, they are a unique visitor as well. So you are saying cumulative over the 12 months?

Mr JOHNSON—Yes. Do you keep track of those?

Mr O'Keefe—We do, but I do not know whether you can actually add those numbers. Many of those people are returning on a monthly basis.

Mr JOHNSON—I am trying to distinguish between the first times as opposed to the repeat hits. If I go on there 50 times I do not think it is an accurate—

Mr O'Keefe—The early adopters are interesting as they do tend to come back because they are interested in what is happening next with digital television. Others may just come there when they are looking to buy a set-top box. The receivers page on the site is one of the most popular pages, followed by the programming.

Mr McGarrity—You look for indicators in this. The average number of pages that those unique visitors go to is five. I am not sure whether that says this is the first time the person has come there or not. It is a large number of pages for somebody who is already very familiar with it.

Mr JOHNSON—I assume that is the highest figure you have got, which is why you quote it.

Mr O'Keefe—No, that is the latest.

Mr McGarrity—It was in the March-April retailer e-bulletin.

Mrs Flynn—Since the beginning of the roll-out, we have found that interference management has been a major issue. I first joined in February, a month after the switch-on occurred. I was broadcasting in Brisbane on 4BC doing breakfast on 1 January 2001. The whole world was going to end; people were going to lose their TV sets in Brisbane. I remember interviewing my predecessor, as it turned out. Didn't the government allocate $10 million for each of the ABC and SBS to contribute towards this?

Mr JOHNSON—Yes.

Mrs Flynn—That was to represent 20 per cent of the total costs. We have looked after the government's money extremely well, courtesy of Ian here. Ian and the people who have been involved have started to inform people by advertising on ABC and the local broadcasters that you could download information from the broadcaster's web site about the transition, about what was going to happen when the digital signals came on. That has acted not only to inform people about interference but also to inform people about digital. It is not something that was designed to do that but that is the impact it had. So we know that lots of people are now using the web site or faxing, if they do not have web access, to get hold of the information sheets et cetera. So there is a lot of consumer interest and people finding out for themselves. That DBA site has been an absolute boon.

Mr McGarrity—It is an extremely good web site. It could always be better and we would always like more money. It is an interesting web site and there are members' areas as well as public areas, because sometimes in order to get full cooperation things need to be confidential. It is a very interesting and comprehensive web site. For those people with the internet, which appears to be in the order of 55 or 60 per cent—unfortunately slightly less in the regional areas, where probably the greatest need now is because that is where it is rolling out—it has been really extraordinary and people seem to come to it and use it.

CHAIR—What about the multi-unit dwelling issue?

Mr McGarrity—In our submission we have not compared Australia to anywhere but again I will refer to England. Multi-unit dwellings represent a different sector of the market than individual homes. Inevitably, you have a body corporate, a managing agent or an owner who is an interlocutor—somebody who comes between an installer, a person who comes along and provides equipment, and the individual units. A consensus needs to build up. It is quite different to you and I who decide we are going to get digital and we go off and get digital.

In England, the manifestation of that—and I cannot say whether England is the same as Australia—is that there was a major survey done and it was published in December 2003. The figures showed that at that time 60 per cent of TV homes that were individual homes in England were converted with at least one digital receiver in them. Only 20 per cent of homes in multi-unit dwellings were. At the current rate of conversion of multi-unit dwellings, 19 years would pass before England could turn off. You will see in our submission that we have spoken to the ABA, we have spoken to the industry department, we have spoken to DCITA but we do think that there is a need for a survey to be done of the digital readiness and comprehensiveness of the ability of multi-unit dwelling homes to get digital services.

CHAIR—What would be the technical issues? England is not a really great comparison because they have a high level of units and lots of renters, and the assumption relates to owners in their own homes rather than renting in units. In Queensland the Beattie government has made it an essential service for pay TV to go to tenanted dwellings.

Mrs Flynn—But that is pay TV.

CHAIR—Would something similar to that be necessary? Have you turned your mind to something like that as a solution? Or if it is not that, is the solution a technical one, actually to have the head set on the top of the building?

Mr McGarrity—All of those buildings will have a head end, a receiving device, to get signals and then a distribution system to pump those signals through the buildings. It involves the look of the head end and the distribution system. Even if everything is collected well at the head end, has the signal strength that is then delivered to the skirting board which you connect your set to been dissipated through the building?

Mrs Flynn—This is something that the committee can really start to ask questions about.

CHAIR—Given the pay TV roll-out in Queensland, can you piggyback off that at all?

Mrs Flynn—I do not think you can. I think it is separate.

Mr O'Keefe—The distribution system is assisted and the head end is the same.

CHAIR—Could you have a separate head end and still end up with a unit?

Mr McGarrity—It is one of the reasons why we think there ought to be a survey because obviously I am involved as the chairman of an organisation whose sole interest is digital free-to-air television. Therefore I cannot go too much wider.

CHAIR—Have you got a position on whether you would want governments to, say, roll it out for tenanted dwellings?

Mr McGarrity—Our position is that, first, we would like to see a decent survey to provide the actual environment that we are sitting in. We did a survey, a small one—all that we could afford. We did it on the Gold Coast because we thought that was an interesting market. Sixty-six per cent of those buildings required work to be done in order to receive, and pump through to individual residents, digital free-to-air signals.

CHAIR—We are out of time.

Mrs Flynn—If you want some further comments on that we can provide them.

CHAIR—Who do you think should fund these surveys? I imagine it is going to be ABA, ACA, DCITA.

Mr McGarrity—The sort of survey we would think about for MUDs would represent 30 to 40 per cent of the annual DBA budget.

CHAIR—Thank you very much for your attendance today.

Resolved (on motion by **Ms Owens**, seconded by **Mr Johnson**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 11.03 am